

The FATF Recommendations & implementing the financial provisions of UNSCR 1540

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List of acronyms

| ACRONYM | DESCRIPTION |
|---------|---|
| AML/CFT | Anti-money laundering / counter-terrorist financing |
| FATF | Financial Action Task Force |
| FIU | Financial intelligence unit |
| FT | Terrorist financing |
| FSRB | FATF-style regional body |
| GP | The Global Partnership |
| ML | Money laundering |
| OP | Operating paragraph |
| STR | Suspicious transaction reports |
| UN | United Nations |
| UNSCR | United Nations Security Council Resolution |
| WMD | Weapons of mass destruction |

Introduction to the FATF:

About us

- Inter-governmental policy-making body established by G7 in 1989 (Ministerial mandate)
- Members: 34 jurisdictions + 2 regional bodies
- 8 FSRBs: Global network of over 180 jurisdictions
 - All GP members belong to FATF or an FSRB
- 22 Observers: Relevant international bodies
 - Experts from the UN 1540 Committee actively participate in FATF work

Introduction to the FATF:

FATF members

*Countries marked in yellow belong to both FATF & the Global Partnership

34 jurisdictions + 2 regional bodies

| | | | | |
|-----------------------------|--------------------|---------------------|---------------------------|------------------|
| Argentina | *Australia | Austria | *Belgium | Brazil |
| *Canada | China | *Denmark | European Commission | *Finland |
| *France | *Germany | Greece | Gulf Co-operation Council | Hong Kong, China |
| Iceland | India | *Ireland | *Italy | *Japan |
| *Kingdom of the Netherlands | Luxembourg | Mexico | *New Zealand | *Norway |
| Portugal | *Republic of Korea | *Russian Federation | Singapore | South Africa |
| Spain | *Sweden | *Switzerland | Turkey | *United Kingdom |
| *United States | | | | |

Introduction to the FATF: FATF-style regional bodies

8 FSRBs comprise an AML/CFT network covering over 180 jurisdictions

Asia Pacific Group on Money Laundering (APG)

Caribbean Financial Action Task Force (CFATF)

Eurasian Group (EAG)

Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

Financial Action Task Force on Money Laundering in South America (GAFISUD)

Inter Governmental Action Group against Money Laundering in West Africa (GIABA)

Middle East and North Africa Financial Action Task Force (MENAFATF)

****Recently joined as an observer to FATF, but not yet recognised as an FSRB:**
Central African Action Group Against Money Laundering (GABAC)

Introduction to the FATF:

FATF observers (slide 1 of 2)

22 FATF observers

| | |
|---|---|
| African Development Bank | Asian Development Bank |
| Basel Committee on Banking Supervision (BCBS) | Central African Action Group Against Money Laundering (GABAC) |
| Commonwealth Secretariat | Egmont Group of Financial Intelligence Units |
| European Bank for Reconstruction and Development (EBRD) | European Central Bank |
| Eurojust | Europol |
| Group of International Financial Centre Supervisors (GIFCS) | Inter-American Development Bank |
| International Association of Insurance Supervisors (IAIS) | International Monetary Fund (IMF) |

Introduction to the FATF:

FATF observers (slide 2 of 2)

22 FATF observers

| | |
|--|--|
| International Organisation of Securities Commission (IOSCO) | Interpol |
| Organization of American States/Inter-American Committee Against Terrorism (OAS/CICTE) | Organization of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD) |
| Organisation for Economic Co-operation and Development (OECD) | United Nations: <ul style="list-style-type: none"> •Office on Drugs and Crime (UNODC) •Counter-Terrorism Committee (UNCTC) •The Al-Qaida and Taliban Sanctions Committee •The 1540 Committee (counter-proliferation) •The 1718 Committee (DPRK sanctions) •The 1737 Committee (Iran sanctions) |
| World Bank | World Customs Organization (WCO) |

Introduction to the FATF:

The FATF mandate

- Current mandate (2008-2012)
 - Set standards to combat ML, FT & financing of WMD proliferation (FATF Recommendations)
 - Assess compliance with the FATF standards
 - Study methods & trends of ML, FT and other misuse of the global financial system
 - Identify & respond to threats to the integrity of the global financial system
- Upcoming Ministerial meeting to discuss extending the FATF mandate (April 2012)

The United Nations approach

- Two-tiered approach to combating WMD proliferation & related financing:
 1. Global approach aimed at preventing acquisition of WMD by non-State actors: UNSCR 1540
 2. Targeted approach aimed at the proliferation activities of particular States (e.g. Iran & DPRK): UNSCR 1718, 1737, 1747 & 1803
- Financial measures are an important supplement to, but not substitute for, effective export controls

UNSCR 1540 - Financial provisions

(slide 1 of 2)

- OP 2: *Decides also* that all States, in accordance with their national procedures, shall adopt and enforce appropriate effective laws which prohibit any non-State actor to manufacture, acquire, possess, develop, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, in particular for terrorist purposes, as well as attempts to engage in any of the foregoing activities, participate in them as an accomplice, assist or finance them;

UNSCR 1540 – Financial provisions

(slide 2 of 2)

- OP 3(d): *Decides also that all States shall* take and enforce effective measures to establish domestic controls to prevent the proliferation of nuclear, chemical, or biological weapons and their means of delivery, including by establishing appropriate controls over related materials and to this end shall:
 - (d) *Establish, develop, review and maintain appropriate effective national export and trans-shipment controls over such items, including appropriate laws and regulations to control export, transit, trans-shipment and re-export and controls on providing funds and services related to such export and trans-shipment such as financing, and transporting that would contribute to proliferation, as well as establishing end-user controls; and establishing and enforcing appropriate criminal or civil penalties for violations of such export control laws and regulations;*

How financial provisions add value

- May uncover proliferation activity when complemented by information held by competent authorities & other sources
- Link entities of concern together (increasing use of front companies & transshipment points by the proliferation networks in their attempts to evade export controls)
- Demonstrate diversion or infringement of export controls
- Provide evidence to support investigations or prosecutions

Implementation challenges

- AML/CFT authorities have expertise in tracing illicit financial flows
- FIUs receive large amounts of financial data that could contribute to proliferation investigations
- However, many countries lack mechanisms to allow effective cooperation & information sharing, at the domestic level, among AML/CFT authorities & authorities responsible for countering proliferation

The FATF approach

- Focus on effective implementation
- Respond to abuse of the global financial system by developing policies aimed at:
 - Prevention
 - Detection
 - Investigation & prosecution
 - Domestic & international cooperation
- Multi-disciplinary (e.g. policy makers, financial services supervisors, FIUs, law enforcement, prosecutors, private sector)

Facilitating implementation

New FATF standards (Slide 1 of 2)

- **Recommendation 2:** Countries should ensure that policy-makers, the FIU, law enforcement authorities, supervisors and other relevant competent authorities, at the policy-making and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat money laundering terrorist financing and the financing of proliferation of weapons of mass destruction.

Facilitating implementation

New FATF standards (Slide 2 of 2)

- Countries should have mechanisms to facilitate domestic cooperation & coordination on the implementation of measures to combat WMD proliferation
- Aimed at ensuring better implementation of the existing international obligations
- New standards developed with active participation by experts from the UN 1540 Committee

Best practices

Identify relevant agencies

- Implementation may engage agencies not traditionally involved in the administration of export controls
 - Export control & customs/border control agencies
 - Intelligence services
 - FIUs
 - Law enforcement & prosecution agencies
 - Financial supervisors & competent authorities
 - Trade promotion & investment agencies
 - Government policy departments
 - Agencies or authorities involved in the implementation of relevant UNSCRs

Best practices

Coordination mechanisms

- Adequate legal authority to collect & share information
 - Balance effective information sharing mechanisms with data protection issues
- Mechanisms to facilitate inter-agency cooperation & coordination
 - Joint analysis
 - Coordinated & complementary operations
 - More developed policy positions
 - Regular or ad hoc inter-agency meetings

Best practices

Inter-agency discussion

- Monitor & analyse risks, threats, trends & vulnerabilities
- Develop coordinated policy
- Consider appropriate responses for competent agencies
- Identify key intelligence gaps
- Consider & coordinate potential interdiction opportunities
- Coordinate investigations of financial support for export control violations
- Deconflict actions by financial, intelligence & law enforcement agencies
- Review mechanisms to ensure effective scrutiny of STR reporting & meet requirements of sanctions implementation

Other FATF work on proliferation

- FATF Recommendation 7
 - A new standard to help countries implement targeted financial sanctions related to proliferation
- Guidance papers
 - *The Implementation of Financial Provisions of UNSCRs to counter the proliferation of WMD*
 - *The Implementation of activity-based financial provisions of UNSCR 1737*
 - *The Implementation of financial provisions of UNSCR 1803*
- Policy options to combat WMD proliferation within the framework of UNSCR 1540 and other resolutions
 - *Combating Proliferation Financing: A Status Report on Policy Development and Consultation*

Assessing compliance: The next step

- FATF is developing a methodology to assess compliance with the new standards
 - Technical compliance
 - Implementation
 - Effectiveness
- 4th round of mutual evaluations is scheduled to begin in 2013

Linkages between the work of FATF & the Global Partnership

- FATF will conduct detailed assessments of compliance with the new FATF standards
- The mutual evaluation reports will be published on the FATF public website
- These reports can assist the GP to identify where countries may need assistance in implementing the financial provisions of UNSCR 1540

For more information

FATF public website:

www.fatf-gafi.org

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